



The Commonwealth of Massachusetts

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO BAY STATE GAS COMPANY DTE 04-111

Pursuant to 220 C.M.R. § 1.06 (6)(c), the Department of Telecommunications and Energy ("Department") submits to Bay State Gas Company ("Bay State") its First Set of Information Requests.

Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to Bay State in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of requests, a reference to request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if Bay State or its witnesses receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work papers.
5. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills,

checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notation or other markings that differentiate such copies from the original.

6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please serve copies of the responses as follows: (a) one (1) copy to Mary L. Cottrell, Secretary of the Department and to all parties; (b) one (1) copy to Shaela McNulty Collins, Hearing Officer; and (c) three (3) copies to Andréas Thanos, Gas Division. All written documents (except those for which confidential treatment is sought) should also be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dte.efiling@state.ma.us and to Shaela.Collins@state.ma.us; or (2) on a 3.5" disk, IBM-compatible format. The text of the e-mail or the disk label must specify: (1) the docket number of the proceeding (D.T.E. 04-111), (2) name of the person or company submitting the filing, and (3) a brief descriptive title of the document (e.g., Response to Information Requests). The electronic filing should also include the name, title and phone number of a person to contact in the event of questions about the filing. Text responses should be created in either Corel WordPerfect, Microsoft Word, or as an Adobe-compatible PDF file. Data or spreadsheet responses should be compatible with Microsoft Excel. Documents submitted in electronic format will be posted on the Department's Website, <http://www.mass.gov/dte>.

Requests

- DTE 1-1 Please refer to page 6 of Mr. DaFonte's pre-filed testimony.
- (a) What was the total cost associated with the gas sales agreement ("GSA") Request for Proposal ("RFP") process?
 - (b) What portion of the total GSA RFP cost was borne by (1) the local distribution companies that constitute the Project Renewal Group ("Renewal Group"); (2) Northeast Gas Markets, LLC ("NEGM"); (3) Bay State; and (4) any other individual and/or entity?
 - (c) Describe the mechanism used to assign costs associated with the GSA RFP.
- DTE 1-2 Please refer to pages 11-12 of Mr. DaFonte's pre-filed testimony and the four criteria that were used to evaluate the GSA RFP responses.
- (a) Describe the basis for assessing the weighting factor of each criteria.
 - (b) Discuss how the new gas commodity contract will satisfy these criteria

and contribute to diversify Bay State's commodity resource portfolio. Please provide a Table containing the total number of gas commodity contracts, area of origin of gas, length of contracts, and suppliers.

- DTE 1-3 Please refer to Page 14 of Mr. DaFonte's pre-filed testimony. Explain what effect, difficulty or complication the selection of more than one replacement supply by the individual members of the Renewal Group had upon NEGM, the Renewal Group, or the RFP process.
- DTE 1-4 In reference to the proposed GSA, it appears that the penalty for Seller default is limited to (a) the termination payment, which obligates the Seller to honor the contract through the end of the month in which the Buyer rightfully exercises its termination option, or (b) the obligation to pay the product of the Seller Deficiency Quantity multiplied by the Replacement Price Differential as long as the default continues and the Buyer elects not to terminate; in either case, the supply of gas appears to be interrupted. Please comment on (i) this characterization of the penalty limitation and (ii) how the proposed GSA addresses the Department's long-standing concern for reliability of gas supply contracts, addressing, among other things, the default penalty limitation and the hypothesis, as seems to be alluded to in section 12.3 of the GSA, that gas suppliers give priority to long-term over short-term gas sales contracts.
- DTE 1-5 Please refer to page 3 of Mr. DaFonte's pre-filed testimony and sections 4.3 and 5.1. of the proposed GSA.
- (a) Please discuss whether this is a take or pay agreement.
 - (b) Explain what happens in the event that Bay State elects to not take gas in a given month by reducing the MDQ to zero. Would Bay State's customers be responsible for any fixed costs/charges?
 - (c) How many domestic commodity contracts does Bay State have with take or pay clauses similar to the proposed GSA?
- DTE 1-6 Please identify the date on which Bay State entered into (1) the Renewal Group; (2) the Management Services Agreement ("MSA") with NEGM; and (3) the Agency Agreement ("AA") with NEGM.
- DTE 1-7 Please refer to the proposed AA.
- (a) Describe its compensation mechanism.
 - (b) Identify NEGM's total earnings pursuant to the AA.
 - (c) What portion of NEGM's total earnings is borne by (1) the Renewal Group; (2) Bay State; and (3) any other individual and/or entity?

- DTE 1-8 Please refer to the proposed MSA.
- (a) Describe its compensation mechanism.
 - (b) Identify NEGM's total earnings pursuant to the MSA.
 - (c) What portion of NEGM's total earnings is borne by (1) the Renewal Group; (2) Bay State; and (3) any other individual and/or entity?
- DTE 1-9 How does NEGM's compensation mechanisms for the proposed AA and MSA compare to the compensation mechanisms for the current AA and MSA associated with the Encana Corporation supply?
- DTE 1-10 Please refer to page 15 of Mr. DaFonte's pre-filed testimony.
- (a) Did Bay State or other members of the Renewal Group conduct an RFP for the AA? If so, provide a copy of the AA RFP and of all responses.
 - (b) Discuss, and support with documentation, the process by which potential agency agreement providers were identified and NEGM selected to provide such services.
- DTE 1-11 Please refer to page 17 of Mr. DaFonte's pre-filed testimony. Discuss, and support with documentation, the process by which potential management services providers were identified and NEGM selected to provide such services.
- DTE 1-12 Please refer to sections 2(k), and 6 of the proposed MSA. Address the following: (1) what provisions, if any, govern how the Renewal Project members will agree on the need for NEGM to incur extraordinary expenses, and (2) identify and describe any formal mechanism that would prevent extraordinary expenses incurred exclusively on behalf of one Renewal Project member from being allocated to the other members.
- DTE 1-13 Please refer to page 5 of Mr. DaFonte's pre-filed testimony concerning the Renewal Group. Is there a written agreement among the Renewal Group members such as an Agreement to Form a Consortium or a Memorandum of Understanding that addresses the purpose and/or objectives of the Renewal Group, the premises underlying the formation of the Renewal Group, and/or the respective duties and responsibilities of the individual members? If so, provide a copy.
- DTE 1-14 Please refer to page 7 of Mr. DaFonte's pre-filed testimony. Describe what steps were taken to update the GSA RFP between October 29, 2003, when the RFP process concluded, and November 24, 2004, the date of Bay State's filing.

DTE 1-15 Please refer to pages 7-10 of Mr. DaFonte's pre-filed testimony.

- (a) Did any of the ten GSA RFP recipients that declined to bid contact the Renewal Group to request additional information or clarification about or to object to any terms of, the RFP process? If so, please explain and support with documentation.
- (b) At any point during the RFP process and subsequent to the announcement of the winning bidder, did any bidder raise an objection to any of the RFP terms and procedures? If so, please explain and support with documentation.

DTE 1-16 Please refer to proposed Exhibit FCD-18.

- (a) In evaluating a gas utility's acquisition of commodity resources, the Department considers whether the local distribution company used a competitive solicitation process that was fair, open and transparent. The MSA RFP does not appear to disclose to potential bidders the criteria by which the bids would be evaluated. Discuss/explain how the MSA RFP meets the Department's standard of review.
- (b) Discuss why the MSA RFP did not disclose to potential bidders the criteria by which the bids would be evaluated.

DTE 1-17 Please provide a copy of the signed final page of the Axsess bid in response to the MSA RFP.

DTE 1-18 Please refer to page 3 of Mr. DaFonte's pre-filed testimony. The MDQ of the proposed supply contract is 10,471 Dth/day. Please provide:

- (a) the proportion that the MDQ represents in the Company's total commodity resource portfolio.
- (b) the proportion that the MDQ represents in the Company's design-day requirement.
- (c) the proportion that the MDQ represents in the Company's design-year requirement.
- (d) the proportion that the MDQ represents in the Company's seasonal requirements.

- DTE 1-19 Please discuss how Bay State evaluated the need to renew the Canadian contract as a part of Bay State's resource portfolio. Specifically, provide a Table with the following information and for the time period April 2005 through March 2007:
- (a) forecast of firm sales customers.
 - (b) forecast of firm sales in terms of TCQ/Year.
 - (c) forecast of firm transportation customers.
 - (d) forecast of firm transportation sales in terms of TCQ/Year.
 - (e) forecast of reverse migration (number of firm transportation customers coming back to firm sales service).
 - (f) forecast of reverse migration (sales) in terms of TCQ/Year.
- DTE 1-20 Please refer to proposed Exhibit FCD-11 of Bay State's filing. Explain how Bay State determined the values for every non-price attribute of each bid. For instance, on page 2 of the exhibit, what is the method Bay State used to assign 33 points out of a maximum of 35 to bid B and only 29 points to bid A? Please discuss and provide all back-up material including memoranda and analyses.
- DTE 1-21 Please refer to page 7 of Mr. DaFonte's pre-filed testimony.
- (a) Indicate whether it is common practice for issuers of RFPs to interview potential bidders prior to the issuance of the RFPs.
 - (b) Explain whether the "interviews" that were conducted were based on a specific script. If so, provide a copy of the script. In addition, provide all notes, emails, internal memoranda and all other available materials that summarize the interviews.
- DTE 1-22 Please refer to pages 7 and 8 of Mr. DaFonte's pre-filed testimony. Discuss, and support with documentation, the process by which potential replacement gas supply bidders were identified and BP Canada Energy Company selected to provide such services. Include the following information:
- (a) Discuss, and support with documentation, including all internal memoranda, emails and back-up materials, how and why the 22 bidders were chosen and how and why others were not chosen.
 - (b) Supply bidders were selected on August 1, 2003 and the winner on October 10, 2003. Proposed Exhibit FCD-5 lists top North American gas marketers and is dated December 9, 2003. Since Bay State could not have relied on this exhibit in selecting supply bidders, identify all sources upon which it did rely and support with documentation.
 - (c) Discuss why some but not all of the natural gas marketers listed on proposed Exhibit FCD-5 were invited to participate in the GSA RFP.